

## Message Text

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46

ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ADP-00 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-15 STR-08 CEA-02 RSR-01

/146 W

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R 290829 Z JUN 73

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC 7416

TREAS DEPT WASHDC

INFO AMEMBASSY LONDON

AMEMBASSY SINGAPORE

UNCLAS HONG KONG 6566

FROM TREASURY BARNARD FOR TREASURY/ OASIA

E. O. 11652: N/ A

TAGS: EFIN

SUBJECT: FOREIGN EXCHANGE: US DOLLAR WEAK IN HONG KONG

1. US DOLLAR CLOSED IN HK THIS WEEK AT HK\$5.025 ( TT BUYING)  
WHICH 1.18 PERCENT BELOW 5.085 PARITY AND 3.09 PERCENT BELOW  
5.185 RATE OF EARLY MAY. WEAKNESS ATTRIBUTED TO MOVE OUT OF ASIAN  
( US) DOLLAR DEPOSITS IN SINGAPORE FOR SAME REASONS WHICH CAUSING  
DECLINE IN EURODOLLAR PRICES.

2. PARADOX OF US DOLLAR WEAKNESS IN COLONY IS THAT IT HAS BEEN  
REGARDED AS UNDERRATED AGAINST HK DOLLAR EVER SINCE MID- FEBRUARY

AND UNTIL FIRST WEEK IN MAY HAD BEEN MOVING STEADILY UPWARD.

EXPLANATION SEEMS TO BE THAT NEW PATTERN OF EXCHANGE TRADING  
EMERGING

IN HK. TRADERS REPORT THAT ALTHOUGH HONG KONG DOLLAR HAS LONG BEEN  
POPULAR MEDIUM FOR THOSE IN SE ASIA WHO WISH TO LAUNDER BLACK  
MONEY INTO WHITE REGARDLESS OF EXCHANGE RATE CONSIDERATIONS, IT  
NOW BEING USED INCREASINGLY FOR SPECULATIVE AND HEDGING PURPOSES,  
THE ATTRACTIONS BEING THE STRENGTH SHOWN IN PAST TWO YEARS OF

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MONETARY TURBULENCE AND THE FREEDOM FROM RESTRICTIONS THAT MAKE MOVES INTO OTHER STRONG CURRENCIES INCREASINGLY MORE DIFFICULT.

3. TRADERS DOUBT WEAKNESS OF US DOLLAR WILL CONTINUE LONG IN HK EXCHANGE MARKET AND PROBABLY NOT IN EUROPE EIGHER. THOSE WHO READ ENGLISH LANGUAGE PAPERS TODAY FOUND STATEMENTS BY FRB CHAIRMAN BURNS SUGGESTING THAT CENTRAL BANKS MAY BE ON POINT OF INTERVENTION. THIS, IT IS SAID, SHOULD STIMULATE PRIVATE BUYING OF DOLLARS BEFORE OFFICIAL SUPPORT BIDS PRICE UP.

4. WHILE OTHERS MAY BE SELLING US DOLLARS THE BANK OF CHINA HAS BEEN TAKING ALL US BANK NOTES OFFERED IN HONG KONG, WITH PARTICULAR DEMAND FOR DENOMINATIONS OF 50 AND 100. LAST PRICE PAID WAS HK\$5.0375

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NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 29 JUN 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
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**Status:** <DBA CORRECTED> jms 980306  
**Subject:** FOREIGN EXCHANGE: US DOLLAR WEAK IN HONG KONG  
**TAGS:** EFIN  
**To:** EB  
LONDON  
SECSTATE WASHDC  
SINGAPORE  
TREAS DEPT WASHDC  
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